



General Assembly

February Session, 2004

Raised Bill No. 480

LCO No. 1969

01969_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

***AN ACT CONCERNING ADMINISTRATIVE COST SAVINGS UNDER
SMALL EMPLOYER HEALTH PLANS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (18) of section 38a-564 of the general statutes
2 is repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2004*):

4 (18) "Base premium rate" means, as to any health insurance plan or
5 insurance arrangement covering one or more employees of a small
6 employer, the lowest new business premium rate charged by the
7 insurer or insurance arrangement for the same or similar coverage
8 which is equivalent in value under a plan or arrangement covering any
9 small employer with similar case characteristics, other than claim
10 experience or administrative cost savings resulting from plans written
11 pursuant to section 5-259, as amended, or through an association
12 group plan, as determined by such insurer or insurance arrangement,
13 except that as to any small employer carrier or insurance arrangement
14 not issuing new health insurance plans or insurance arrangements to a
15 small employer, "base premium rate" means the lowest rate charged a
16 small employer for the same or similar coverage which is equivalent in

17 value, under a plan or arrangement covering any small employer with
18 similar case characteristics, other than claim experience or
19 administrative cost savings, as determined by such insurer or
20 insurance arrangement.

21 Sec. 2. Subdivision (27) of section 38a-564 of the general statutes is
22 repealed and the following is substituted in lieu thereof (*Effective July*
23 *1, 2004*):

24 (27) "Case characteristics" means demographic or other objective
25 characteristics of a small employer, including age, sex, family
26 composition, location, size of group, administrative cost savings
27 resulting from plans written pursuant to section 5-259, as amended, or
28 through an association group plan and industry classification, as
29 determined by a small employer carrier, that are considered by the
30 small employer carrier in the determination of premium rates for the
31 small employer. Claim experience, health status, and duration of
32 coverage since issue are not case characteristics for the purpose of
33 sections 38a-564 to 38a-572, inclusive, as amended.

34 Sec. 3. Subdivision (5) of section 38a-567 of the general statutes is
35 repealed and the following is substituted in lieu thereof (*Effective July*
36 *1, 2004*):

37 (5) (A) With respect to plans or arrangements issued on or after July
38 1, 1995, the premium rates charged or offered to small employers shall
39 be established on the basis of a community rate, adjusted to reflect one
40 or more of the following classifications:

41 (i) Age, provided age brackets of less than five years shall not be
42 utilized;

43 (ii) Gender;

44 (iii) Geographic area, provided an area smaller than a county shall
45 not be utilized;

46 (iv) Industry, provided the rate factor associated with any industry
 47 classification shall not vary from the arithmetic average of the highest
 48 and lowest rate factors associated with all industry classifications by
 49 greater than fifteen per cent of such average, and provided further, the
 50 rate factors associated with any industry shall not be increased by
 51 more than five per cent per year;

52 (v) Group size, provided the highest rate factor associated with
 53 group size shall not vary from the lowest rate factor associated with
 54 group size by a ratio of greater than 1.25 to 1.0; [and]

55 (vi) Administrative cost savings resulting from plans written
 56 pursuant to section 5-259, as amended, or through an association
 57 group plan; and

58 [(vi)] (vii) Family composition, provided the small employer carrier
 59 shall utilize only one or more of the following billing classifications:
 60 [(a)] (I) Employee; [(b)] (II) employee plus family; [(c)] (III) employee
 61 and spouse; [(d)] (IV) employee and child; [(e)] (V) employee plus one
 62 dependent; and [(f)] (VI) employee plus two or more dependents.

63 (B) The small employer carrier shall quote premium rates to small
 64 employers after receipt of all demographic rating classifications of the
 65 small employer group. No small employer carrier may inquire
 66 regarding health status or claims experience of the small employer or
 67 its employees or dependents prior to the quoting of a premium rate.

68 (C) The provisions of subparagraphs (A) and (B) of this subdivision
 69 shall apply to plans or arrangements issued on or after July 1, 1995.
 70 The provisions of subparagraphs (A) and (B) of this subdivision shall
 71 apply to plans or arrangements issued prior to July 1, 1995, as of the
 72 date of the first rating period commencing on or after that date, but no
 73 later than July 1, 1996.

This act shall take effect as follows:	
Section 1	July 1, 2004

Sec. 2	<i>July 1, 2004</i>
Sec. 3	<i>July 1, 2004</i>

Statement of Purpose:

To allow rates for small employer health plans to reflect administrative cost savings.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]